



# STATE OF NORTH CAROLINA

**ALAMANCE COMMUNITY COLLEGE**

**GRAHAM, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**ALAMANCE COMMUNITY COLLEGE**

**GRAHAM, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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FISCAL SERVICES**



**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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**AUDITOR'S TRANSMITTAL**

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The Honorable Beverly Eaves Perdue, Governor  
The General Assembly of North Carolina  
Board of Trustees, Alamance Community College

We have completed a financial statement audit of Alamance Community College for the year ended June 30, 2010, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed a deficiency that is detailed in the Audit Findings and Responses section of this report. The College's response is included following the finding.

*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

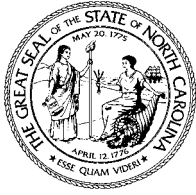
A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Alamance Community College  
Graham, North Carolina

We have audited the accompanying financial statements of Alamance Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Alamance Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for this entity, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Alamance Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Alamance Community College and its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

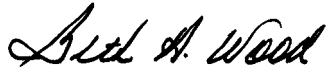
As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2011 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Beth A. Wood, CPA  
State Auditor

May 17, 2011

## **ALAMANCE COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **Introduction**

As the management of Alamance Community College, we are pleased to present the College's financial statements for the fiscal year ending June 30, 2010. Our discussion and analysis presented in this section, is intended to provide information regarding the current fiscal year's data and about changes from the prior fiscal year.

We present the following three statements within this report:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows

The Statement of Net Assets includes all assets and liabilities. It is prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. The Statement of Cash Flows presents information detailing the sources and uses of cash from operating activities, financing activities, capital-related activities and investing activities.

We also supplement these statements with the notes to the financial statements detailing certain reporting policies and assumptions. Readers should consider each of these three statements, along with the notes and this discussion and analysis, as interrelated. Each statement is integral to understanding the others. Our discussion and analysis will cover the following:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Capital Assets and Long-Term Debt Activities
- Economic Outlook

### **Statement of Net Assets**

In the Statement of Net Assets, we present the assets (current and noncurrent), liabilities (current and noncurrent) and net assets (assets less liabilities) of the College at June 30, 2010. This statement presents information at a single point in time and is intended to provide the user with a financial snapshot of the College. We discuss the distinctions between current and noncurrent assets and liabilities in the notes to these financial statements.

From the information presented in the Statement of Net Assets a reader will be able to determine the assets available to continue operations of the College, amounts owed by the College and total net asset availability.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As required by accepted accounting practices, we have divided net assets into three major categories:

- Invested in capital assets
- Restricted net assets
- Unrestricted net assets

Invested in capital assets provides the College's total equity in property, plant, and equipment while restricted net assets are divided into two categories, nonexpendable, of which the College has none, and expendable, which are net assets restricted to certain uses.

Unrestricted net assets are available to the College for any lawful purpose.

Following is a comparative analysis of the condensed balances reported in the Statement of Net Assets as of June 30, 2009 and 2010:

	2010	2009	Change	Percent Change
<b>ASSETS</b>				
Current Assets	\$ 3,311,524.60	\$ 4,221,777.90	\$ (910,253.30)	-21.56%
Capital Assets	31,021,359.45	29,291,016.39	1,730,343.06	5.91%
Other Noncurrent Assets	<u>560,188.64</u>	<u>92,250.04</u>	<u>467,938.60</u>	507.25%
Total Assets	<u>34,893,072.69</u>	<u>33,605,044.33</u>	<u>1,288,028.36</u>	3.83%
<b>LIABILITIES</b>				
Current Liabilities	1,228,937.16	601,925.88	627,011.28	104.17%
Noncurrent Liabilities	<u>380,853.94</u>	<u>377,970.27</u>	<u>2,883.67</u>	0.76%
Total Liabilities	<u>1,609,791.10</u>	<u>979,896.15</u>	<u>629,894.95</u>	64.28%
<b>NET ASSETS</b>				
Invested in Capital Assets	31,021,359.45	29,291,016.39	1,730,343.06	5.91%
Restricted for:				
Expendable	670,441.40	542,510.17	127,931.23	23.58%
Unrestricted	<u>1,591,480.74</u>	<u>2,791,621.62</u>	<u>(1,200,140.88)</u>	-42.99%
Total Net Assets	<u>\$ 33,283,281.59</u>	<u>\$ 32,625,148.18</u>	<u>\$ 658,133.41</u>	2.02%

Please refer to Exhibit A-1 and the notes to the financial statements for additional detail. Following are some highlights of the College's Statement of Net Assets:

- Total current assets decreased by \$910,253.30 primarily because the College elected to use unrestricted cash for the purchase of land for a new parking lot and for some capital improvement projects.
- Other noncurrent assets include restricted cash that will be used on capital projects during 2010-2011. This amount increased \$467,938.60 due primarily to an increase of \$424,269.49 in capital aid from county sources for several significant construction projects begun during the fiscal year.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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- The College's current liabilities increased by \$627,011.28 primarily due to an increase in accounts payables of \$266,721.24 for capital projects and increased amounts due to vendors from activity in the College bookstore.
- The College's total net assets increased by \$658,133.41 or 2.02%. Included in this increase is an increase in invested in capital assets in the amount of \$1,730,343.06 and a decrease in unrestricted net assets in the amount of \$1,200,140.88. As discussed above, the College elected to use unrestricted proprietary funds for the purchase of land for a new parking lot and for some capital improvement projects. This contributed to the increase in invested in capital assets.

### **Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets provides information regarding the College's activities throughout the fiscal year. This statement summarizes the College's revenue and expenses, both operating and nonoperating, as well as summarizing the beginning and ending net assets which are impacted by the activities of the College throughout the year.

We classify as operating revenues and expenses those amounts received or expended related to the College's provision of educational services and other goods or services to those students and other constituencies which we serve. Nonoperating revenues and expenses are amounts received or expended which are not related to the goods and services we provide. For example, tuition received from students is considered operating revenue, and salaries paid to faculty members are considered operating expenses. However, we classify State appropriations as nonoperating revenue because those amounts are provided by the Legislature without the receipt of any direct benefit.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Following is a comparative analysis of the condensed balances reported on the Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years June 30, 2010 and 2009:

	2010	As Restated 2009	Change	Percentage Change
<b>Operating Revenues:</b>				
Student Tuition and Fees, Net	\$ 4,468,677.85	\$ 3,883,587.09	\$ 585,090.76	15.07%
Sales and Services, Net	881,067.43	738,465.62	142,601.81	19.31%
Other Operating Revenues	135,700.69	94,736.03	40,964.66	43.24%
<b>Total Operating Revenues</b>	<b>5,485,445.97</b>	<b>4,716,788.74</b>	<b>768,657.23</b>	<b>16.30%</b>
<b>Operating Expenses:</b>				
Operating Expenses:				
Salaries and Benefits	20,420,935.71	19,909,595.18	511,340.53	2.57%
Supplies and Materials	1,910,943.38	1,670,202.32	240,741.06	14.41%
Services	2,094,626.18	2,311,576.30	(216,950.12)	-9.39%
Scholarships and Fellowships	9,967,609.10	5,922,564.15	4,045,044.95	68.30%
Utilities	642,217.16	635,953.77	6,263.39	0.98%
Depreciation	855,466.72	901,389.68	(45,922.96)	-5.09%
<b>Total Operating Expenses</b>	<b>35,891,798.25</b>	<b>31,351,281.40</b>	<b>4,540,516.85</b>	<b>14.48%</b>
<b>Operating Loss</b>	<b>(30,406,352.28)</b>	<b>(26,634,492.66)</b>	<b>(3,771,859.62)</b>	<b>14.16%</b>
<b>Nonoperating Revenue (Expenses)</b>				
State Aid	14,097,986.75	15,407,975.45	(1,309,988.70)	-8.50%
County Appropriations	2,697,999.01	2,679,615.87	18,383.14	0.69%
Noncapital Grants and Gifts	12,482,836.91	7,226,478.59	5,256,358.32	72.74%
Investment Income	29,714.72	86,661.05	(56,946.33)	-65.71%
Other Nonoperating Expenses	(27,849.19)		(27,849.19)	-100.00%
<b>Net Nonoperating Revenues</b>	<b>29,280,688.20</b>	<b>25,400,730.96</b>	<b>3,879,957.24</b>	<b>15.27%</b>
<b>Loss Before Other Revenues</b>	<b>(1,125,664.08)</b>	<b>(1,233,761.70)</b>	<b>108,097.62</b>	<b>-8.76%</b>
State Capital Aid	588,531.50	648,146.12	(59,614.62)	-9.20%
County Capital Aid	948,971.92	524,675.43	424,296.49	80.87%
Capital Grants and Gifts	246,294.07	97,627.07	148,667.00	152.28%
<b>Increase in Net Assets</b>	<b>658,133.41</b>	<b>36,686.92</b>	<b>621,446.49</b>	<b>1693.92%</b>
<b>NET ASSETS</b>				
Net Assets, Beginning of Year	32,625,148.18	32,588,461.26	36,686.92	0.11%
Net Assets, End of Year	<u>\$ 33,283,281.59</u>	<u>\$ 32,625,148.18</u>	<u>\$ 658,133.41</u>	2.02%

Please refer to Exhibit A-2 and the notes to the financial statements for additional detail. Following are some highlights of the College's Statement of Revenues, Expenses, and Changes in Net Assets:

- Our report shows the College incurred an operating loss of approximately \$30.4 million or an increase of 14.16% over the previous fiscal year. A reader should expect such an operating loss for a publically-funded educational institution because, as required, we report State support and Federal Student Financial Aid as nonoperating revenue.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)**

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- The large increase in operating loss is due primarily to the increase of \$4,045,044.95 in scholarships awarded to students, which is included in operating expenses. The College experienced a record enrollment increase in 2009-2010 which resulted in large increases in federal financial aid awards and, as a result, scholarship and fellowship expense.
- We reported an increase in the College's operating revenue of 16.3%. The major contributing factors were an increase in total tuition and fees and an increase in sales and services due to record curriculum enrollment.
- Total operating expenses increased by approximately \$4.5 million or 14.48% resulting from a significant increase in scholarships awarded to students as discussed above. This increase is due to increased federal award amounts and increased need due to current economic conditions.
- Nonoperating revenue increased by approximately \$3.9 million or 15.27% in fiscal year 2010 over fiscal year 2009. Noncapital grants and gifts increased by \$5,256,358.32 due primarily to a significant increase in student financial aid due to increased federal awards and increased enrollment as noted above. State appropriations decreased \$1.3 million primarily due to mandatory budget reversions.

### **Capital Assets**

At June 30, 2010 the College's investment in capital assets net of accumulated depreciation totals \$31,021,359.45, which reflects a total increase of \$1,730,343.06. The total investment in capital assets includes land, construction in progress, buildings, general infrastructure, and machinery and equipment. This increase was primarily due to the purchase of land for a parking lot and increases in construction in progress for the Literacy building, the renovation of a kitchen for the culinary program and the construction costs for the preparation of the parking lot on the Graham campus. Outstanding commitments on construction contracts were \$936,906.91 at June 30, 2010. These commitments are attributable to the capital projects in progress as described above.

The College reevaluates estimated useful lives of assets annually and adjusts useful lives as necessary.

### **Economic Outlook**

While the current economic outlook both for Alamance County and for North Carolina is uncertain, we feel that the College is well placed to continue to provide the educational services needed by our constituents. As a result of current economic challenges, the College continues to experience record levels of enrollment for the 2010-2011 academic year. While the College's 2010-2011 budget appears adequate to cover our needs, we will continue to monitor budget discussions in Raleigh during the upcoming legislative sessions and closely manage the College's expenses. We know of no other immediate existing conditions that will significantly impact the financial position of the College and we are committed to making sound fiscal decisions to maintain the College's ability to withstand economic uncertainty.

***Alamance Community College***  
***Statement of Net Assets***  
***June 30, 2010***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 2,056,224.88
Restricted Cash and Cash Equivalents	435,946.78
Receivables, Net (Note 3)	730,813.73
Inventories	88,539.21

Total Current Assets	3,311,524.60
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	551,408.60
Restricted Due from Primary Government	8,780.04
Capital Assets - Nondepreciable (Note 4)	3,186,063.25
Capital Assets - Depreciable, Net (Note 4)	27,835,296.20

Total Noncurrent Assets	31,581,548.09
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Total Assets	34,893,072.69
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	964,688.66
Unearned Revenue	144,481.68
Funds Held for Others	104,591.90
Long-Term Liabilities - Current Portion (Note 6)	15,174.92

Total Current Liabilities	1,228,937.16
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Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	380,853.94
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Total Liabilities	1,609,791.10
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**NET ASSETS**

Invested in Capital Assets	31,021,359.45
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Restricted for:

Expendable:

Scholarships and Fellowships	127,787.02
Capital Projects	538,226.14
Other	4,428.24

Unrestricted	1,591,480.74
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Total Net Assets	\$ 33,283,281.59
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The accompanying notes to the financial statements are an integral part of this statement.

***Alamance Community College  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2010***

***Exhibit A-2***

**REVENUES**

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 4,468,677.85
Sales and Services, Net (Note 8)	881,067.43
Other Operating Revenues	135,700.69
	<hr/>
Total Operating Revenues	5,485,445.97
	<hr/>

**EXPENSES**

Operating Expenses:	
Salaries and Benefits	20,420,935.71
Supplies and Materials	1,910,943.38
Services	2,094,626.18
Scholarships and Fellowships	9,967,609.10
Utilities	642,217.16
Depreciation	855,466.72
	<hr/>
Total Operating Expenses	35,891,798.25
	<hr/>
Operating Loss	(30,406,352.28)
	<hr/>

**NONOPERATING REVENUES (EXPENSES)**

State Aid	14,097,986.75
County Appropriations	2,697,999.01
Noncapital Grants - Federal Student Financial Aid	10,813,394.56
Noncapital Grants	1,580,701.35
Noncapital Gifts, Net	88,741.00
Investment Income, Net	29,714.72
Other Nonoperating Expenses	(27,849.19)
	<hr/>
Net Nonoperating Revenues	29,280,688.20
	<hr/>
Loss Before Other Revenues	(1,125,664.08)
	<hr/>
State Capital Aid	588,531.50
County Capital Aid	948,971.92
Capital Grants	96,294.07
Capital Gifts	150,000.00
	<hr/>
Increase in Net Assets	658,133.41

**NET ASSETS**

Net Assets, July 1, 2009	32,625,148.18
	<hr/>
Net Assets, June 30, 2010	\$ 33,283,281.59
	<hr/> <hr/>

The accompanying notes to the financial statements are an integral part of this statement.

***Alamance Community College***  
***Statement of Cash Flows***  
***For the Fiscal Year Ended June 30, 2010***

***Exhibit A-3***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 5,534,124.53
Payments to Employees and Fringe Benefits	(20,433,431.06)
Payments to Vendors and Suppliers	(4,371,754.89)
Payments for Scholarships and Fellowships	(9,990,631.91)
Other Receipts	68,187.41
	<hr/>
Net Cash Used by Operating Activities	(29,193,505.92)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	14,097,986.75
County Appropriations	2,697,999.01
Noncapital Grants - Federal Student Financial Aid	11,014,606.17
Noncapital Grants Received	1,580,701.35
Noncapital Gifts	88,741.00
	<hr/>
Cash Provided by Noncapital Financing Activities	29,480,034.28

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State Capital Aid Received	672,001.50
County Capital Aid	948,971.92
Capital Grants Received	96,294.07
Acquisition and Construction of Capital Assets	(2,210,557.73)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	(493,290.24)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	29,714.72
	<hr/>
Net Decrease in Cash and Cash Equivalents	(177,047.16)
Cash and Cash Equivalents, July 1, 2009	3,220,627.42
	<hr/>
Cash and Cash Equivalents, June 30, 2010	\$ 3,043,580.26

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (30,406,352.28)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	855,466.72
Changes in Assets and Liabilities:	
Receivables, Net	(8,984.35)
Inventories	(10,429.72)
Accounts Payable and Accrued Liabilities	286,461.55
Unearned Revenue	34,640.10
Funds Held for Others	68,187.41
Compensated Absences	(12,495.35)
	<hr/>
Net Cash Used by Operating Activities	\$ (29,193,505.92)

***Alamance Community College  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2010***

***Exhibit A-3  
Page 2***

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 2,056,224.88
Restricted Cash and Cash Equivalents	435,946.78
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>551,408.60</u>
Total Cash and Cash Equivalents - June 30, 2010	<u><u>\$ 3,043,580.26</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets Acquired through Assumption of a Liability	\$ 266,721.24
Assets Acquired through a Gift	150,000.00
Capital Asset Write-Offs	(27,849.19)

The accompanying notes to the financial statements are an integral part of this statement.

***Alamance Community College Foundation, Inc.***  
***Statement of Financial Position***  
***June 30, 2010***

***Exhibit B-1***

**ASSETS**

Cash and Cash Equivalents	\$	297,509
Investments		
Cash and Cash Equivalents		217,694
Long-term Investments		5,020,944
Prater Trust		72,174
Cash Surrender Value of Life Insurance		18,054
Receivables, Net		4,059
Sales Tax Refund Receivable		1,242
Faculty Computer Loan		100
Promises to give, net		613,241
Residential Housing Project in Process		156,229
Property and Equipment, Net		<u>5,742</u>
Total Assets		<u>6,406,988</u>

**LIABILITIES**

Accounts Payable		<u>3,640</u>
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**NET ASSETS**

Unrestricted		560,775
Temporarily Restricted		592,314
Permanently Restricted		<u>5,250,259</u>

Total Net Assets	\$	<u><u>6,403,348</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.



**Alamance Community College Foundation, Inc.**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

**Exhibit B-2**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>				
Revenues and Gains:				
Contributions	\$ 186,886	\$ 58,281	\$ 73,998	\$ 319,165
Contributed Goods and Services	56,380	899		57,279
Support Services from ACC	201,250			201,250
Gain (Loss) from Investments	(4,293)	633,547		629,254
Other	5,526	306	3,316	9,148
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>182,647</u>	<u>(182,647)</u>		
<b>Total Revenue and Other Support</b>	<u>628,396</u>	<u>510,386</u>	<u>77,314</u>	<u>1,216,096</u>
<b>Expenses:</b>				
Programs:				
Student Scholarships	363,097			363,097
College Work Study Match	65,000			65,000
Other Student Support	66,311			66,311
Programs/Resources for ACC faculty/staff	13,431			13,431
Other Education Related Programs	153,161			153,161
Support Services from ACC	170,875			170,875
Other Foundation Expenses	<u>36,933</u>			<u>36,933</u>
<b>Total Expenses</b>	<u>868,808</u>			<u>868,808</u>
<b>Increase/(Decrease) in Net Assets</b>	(240,412)	510,386	77,314	347,288
<b>Net Assets at Beginning of Year</b>	<u>801,187</u>	<u>81,928</u>	<u>5,172,945</u>	<u>6,056,060</u>
<b>Net Assets at End of Year</b>	<u>\$ 560,775</u>	<u>\$ 592,314</u>	<u>\$ 5,250,259</u>	<u>\$ 6,403,348</u>

The accompanying notes to the financial statements are an integral part of this statement

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**ALAMANCE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Alamance Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data are reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

**Discretely Presented Component Unit** - Alamance Community College Foundation, Inc. (Foundation) is a not-for-profit corporation and is reported as discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 30 local community business leaders, two trustees from the Alamance Community College Board of Trustees, and three ex-officio members consisting of the College's President, the Vice-President for Institutional Advancement, and a Faculty Representative. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2010, the Foundation distributed \$660,999 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation are available on the Alamance Community College Foundation's website <http://www.accfoundation.com>.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- D. Cash and Cash Equivalents** - This classification includes petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using last invoice cost. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years for general infrastructure, 10 to 50 years for buildings, and 5 to 40 years for equipment.

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 15 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 15 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- K. Net Assets** - The College's net assets are classified as follows:

**Invested in Capital Assets** - This represents the College's total investment in capital assets.

**Restricted Net Assets - Expendable** - Expendable restricted net assets include resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

**Unrestricted Net Assets** - Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**L. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

**M. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, State, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State aid that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

**N. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as a copy center. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use by the College.

### NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$2,600.00, and deposits in private financial institutions with a carrying value of \$1,265,100.96 and a bank balance of \$1,397,660.22.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2010, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

The College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings and banker's acceptances; The North Carolina Capital



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

At June 30, 2010, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$1,775,879.30 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2010. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

A reconciliation of deposits and investments for the College to the basic financial statements at June 30, 2010, is as follows:

Cash on Hand	\$	2,600.00
Carrying Amount of Deposits with Private Financial Institutions		1,265,100.96
Investments in the Short-Term Investment Fund		<u>1,775,879.30</u>
Total Deposits and Investments	\$	<u><u>3,043,580.26</u></u>
Current:		
Cash and Cash Equivalents	\$	2,056,224.88
Restricted Cash and Cash Equivalents		435,946.78
Noncurrent:		
Restricted Cash and Cash Equivalents		<u>551,408.60</u>
Total	\$	<u><u>3,043,580.26</u></u>

**Component Unit** - Investments of the College's discretely presented component unit, the Alamance Community College Foundation, Inc. are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Alamance Community College Foundation, Inc. reports under the FASB reporting model,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investments	Fair Market Value (U.S. Dollars)
Cash & Cash Equivalents	\$ 217,694.00
Fixed Income	1,630,794.00
Equities	3,390,148.00
Prater Trust	72,174.00
<b>Total</b>	<b>\$ 5,310,810.00</b>

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 301,480.09	\$ 210,636.13	\$ 90,843.96
Accounts	41,666.68	35,533.13	6,133.55
Accounts - Daycare	34,636.80	20,679.73	13,957.07
Intergovernmental	607,358.31		607,358.31
Other	12,520.84		12,520.84
<b>Total Current Receivables</b>	<b>\$ 997,662.72</b>	<b>\$ 266,848.99</b>	<b>\$ 730,813.73</b>

### NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital Assets, Nondepreciable:				
Land	\$ 862,330.12	\$ 667,215.88	\$ 0.00	\$ 1,529,546.00
Construction in Progress	141,181.00	1,516,336.25	1,000.00	1,656,517.25
<b>Total Capital Assets, Nondepreciable</b>	<b>1,003,511.12</b>	<b>2,183,552.13</b>	<b>1,000.00</b>	<b>3,186,063.25</b>
Capital Assets, Depreciable:				
Buildings	33,621,387.12	233,395.33		33,854,782.45
Machinery and Equipment	2,811,275.26	170,354.39	96,161.26	2,885,468.39
General Infrastructure	1,572,773.68	27,357.12		1,600,130.80
<b>Total Capital Assets, Depreciable</b>	<b>38,005,436.06</b>	<b>431,106.84</b>	<b>96,161.26</b>	<b>38,340,381.64</b>
Less Accumulated Depreciation/Amortization for:				
Buildings	8,082,415.53	674,761.69		8,757,177.22
Machinery and Equipment	1,315,420.33	148,975.99	68,312.07	1,396,084.25
General Infrastructure	320,094.93	31,729.04		351,823.97
<b>Total Accumulated Depreciation</b>	<b>9,717,930.79</b>	<b>855,466.72</b>	<b>68,312.07</b>	<b>10,505,085.44</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>28,287,505.27</b>	<b>(424,359.88)</b>	<b>27,849.19</b>	<b>27,835,296.20</b>
<b>Capital Assets, Net</b>	<b>\$ 29,291,016.39</b>	<b>\$ 1,759,192.25</b>	<b>\$ 28,849.19</b>	<b>\$ 31,021,359.45</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2010, were as follows:

	Amount
Accounts Payable	\$ 543,377.06
Accrued Payroll	363,425.76
Contract Retainage	57,885.84
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 964,688.66</b>

### NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Compensated Absences	\$ 408,524.21	\$ 437,863.50	\$ 450,358.85	\$ 396,028.86	\$ 15,174.92

### NOTE 7 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for copiers and mailing system. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2010:

Fiscal Year	Amount
2011	\$ 89,848.08
2012	89,848.08
2013	55,408.77
2014	43,929.00
2015	38,953.00
Total Minimum Lease Payments	\$ 317,986.93

Rental expense for all operating leases during the year was \$129,813.99.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 - REVENUES

A summary of eliminations and allowances by revenue classification is presented as follows:

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>					
<b>Student Tuition and Fees</b>	\$ 7,357,450.57	\$ 0.00	\$ 2,810,630.18	\$ 78,142.54	\$ 4,468,677.85
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Duplicating Center	\$ 214,089.98	\$ 214,089.98	\$ 0.00	\$ 0.00	\$ 0.00
Dining	93,823.77				93,823.77
Bookstore Commissions	277,378.00				277,378.00
Daycare	434,179.43			1,642.34	432,537.09
Sales and Services of Education and Related Activities	77,328.57				77,328.57
<b>Total Sales and Services</b>	\$ 1,096,799.75	\$ 214,089.98	\$ 0.00	\$ 1,642.34	\$ 881,067.43

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

The College's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 13,263,545.65	\$ 1,305,837.40	\$ 192,381.13	\$ 8,566.60	\$ 0.00	\$ 0.00	\$ 14,770,330.78
Public Service	373,233.89	31,582.77	5,214.15				410,030.81
Academic Support	2,310,454.81	81,508.08	29,675.06				2,421,637.95
Student Services	1,254,707.50	30,114.03	72,928.69				1,357,750.22
Institutional Support	2,880,588.90	315,102.29	627,016.57	4,719.00			3,827,426.76
Operations and Maintenance of Plant	337,372.30	99,396.57	1,131,529.10		642,217.16		2,210,515.13
Student Financial Aid				9,954,323.50			9,954,323.50
Auxiliary Enterprises	1,032.66	47,402.24	35,881.48				84,316.38
Depreciation						855,466.72	855,466.72
<b>Total Operating Expenses</b>	\$ 20,420,935.71	\$ 1,910,943.38	\$ 2,094,626.18	\$ 9,967,609.10	\$ 642,217.16	\$ 855,466.72	\$ 35,891,798.25

### NOTE 10 - PENSION PLANS

**A. Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2010, these rates were set at 3.57% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$17,229,728.09, of which \$12,105,378.94 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$432,162.03 and \$726,322.84, respectively.

Required employer contribution rates for the years ended June 30, 2009, and 2008, were 3.36% and 3.05%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2010, 2009, and 2008, which were \$432,162.03, \$411,124.21, and \$354,955.74, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$2,400.00 for the year ended June 30, 2010.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$159,005.00 for the year ended June 30, 2010.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$71,644.92 for the year ended June 30, 2010.

### NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Benefits** - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by *North Carolina General Statute 135-7* and Chapter 135, Article 3A, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly.

For the current fiscal year the College contributed 4.5% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2009, and 2008, were 4.1% and 4.1%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, which were \$544,742.05, \$501,669.42, and \$477,153.61, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2010, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2009, and 2008, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2010, 2009, and 2008, which were \$62,947.97, \$63,626.37, and \$60,517.04, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$1,000,000 are retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The community college pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. Losses from such occurrences for employees paid from county and institutional funds are covered by private insurance companies with coverage of \$25,000 per occurrence.

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.



## **NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

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The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

### **NOTE 13 - COMMITMENTS**

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$936,906.91 at June 30, 2010.

### **NOTE 14 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended June 30, 2010, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

GASB Statement No. 51, requires reporting certain intangible assets as capital assets.

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**Beth A. Wood, CPA**  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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Board of Trustees  
Alamance Community College  
Graham, North Carolina

We have audited the financial statements of Alamance Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated May 17, 2011. Our report was modified to include a reference to other auditors.

As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Alamance Community College Foundation, Inc., the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of Alamance Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the finding in the Audit Findings and Responses section of this report to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The College's response to the finding identified in our audit is described in the Audit Findings and Responses section of this report. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the College, the College Board of Trustees, others within the entity, the State Board of Community Colleges, the Governor, the General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA  
State Auditor

May 17, 2011

## AUDIT FINDINGS AND RESPONSES

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### **Matters Related to Financial Reporting**

The following audit finding was identified during the current audit and describes a condition that represents a deficiency in internal control. The finding was also reported in the prior year.

#### INAPPROPRIATE INFORMATION SYSTEM ACCESS

The College did not maintain adequate internal control over access to its computer systems and data. As a result, there is an increased risk that fraud could occur without detection.

Access rights for three terminated employees had not been revoked. All three employees were system administrators. These employees had unlimited access to critical financial and human resource screens that would have allowed them to perform functions from initiation to completion in the information system along with uncontrolled programming access.

*Recommendation:* Management of the College should establish procedures to ensure the access rights of all terminated employees are revoked timely.

*College Response:* We agree with this finding. Upon discovery during the audit, Information Systems staff members immediately removed access from terminated employees. Our Human Resources and Information Services departments will now implement a new on-boarding/off-boarding process to ensure that rights are assigned and revoked timely. We will clearly document the process and make it readily available to supervisors. Training will occur at all levels to ensure that processes are followed. As a part of the monthly review of financial information, the vice-president of Administrative & Fiscal Services will review access rights.

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## **ORDERING INFORMATION**

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://www.ncauditor.net). Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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